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Chair

The Honourable Kevin Sorenson

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● (1530)

[*English*]

The Chair (Hon. Kevin Sorenson (Battle River—Crowfoot, CPC)): Good afternoon, colleagues. Welcome back.

This is meeting number 96 of the Standing Committee on Public Accounts on Thursday, May 3, 2018. Today we are here to consider the special examination report on the National Capital Commission of the fall 2017 reports of the Auditor General of Canada.

We have with us the Auditor General of Canada, Mr. Michael Ferguson, and from the Office of the Auditor General, Margaret Haire, principal. From the National Capital Commission, we're pleased to have Mr. Marc Seaman, chairperson, board of directors, and Mark Kristmanson, chief executive officer.

To begin, we'll invite our Auditor General to make his comments, and we look forward to good questions thereafter.

Mr. Michael Ferguson (Auditor General of Canada, Office of the Auditor General): Mr. Chair, thank you for this opportunity to present the results of our special examination of the National Capital Commission. Joining me at the table is Margaret Haire, the principal responsible for the audit.

As you know, a special examination of a crown corporation is a type of performance audit. A special examination seeks to determine whether a crown corporation's systems and practices provide reasonable assurance that its assets are safeguarded and controlled, its resources are managed economically and efficiently, and its operations are carried out effectively.

[*Translation*]

The National Capital Commission, or NCC, owns and manages over 10% of land in the national capital region, including Gatineau Park, the Greenbelt, various urban parks, and many leased properties. The corporation also manages six official residences.

In our examination, we found a significant deficiency in the corporation's asset maintenance practices and weaknesses in its risk management practices.

We also found that the corporation had good systems and practices in the areas of governance, strategic planning, performance measurement, performance reporting, and all other national capital region operations.

[*English*]

In regard to asset maintenance, the corporation's data on asset condition indicated that more than one-quarter of the corporation's assets were in fair, poor, or critical condition. The corporation determined that it didn't have enough resources to carry out the work that it needed to do to restore and maintain its assets. Therefore, it had to put off maintenance on some assets.

We concluded that this was a significant deficiency, because, if the corporation's assets continue to deteriorate, the corporation might not be able to meet its mandate, and the assets could cause health and safety issues.

The weaknesses we identified in risk management practices were in two areas. First, in the corporation's overall risk management approach, the corporation didn't consistently assess its strategic and operating risks, prepare an inventory of all risks, or set risk tolerances. This made it difficult for management and the board to have comprehensive risk information to make decisions.

[*Translation*]

The board and management did not clearly describe, in the annual corporate plan presented to the responsible minister, the risk of having insufficient resources to restore, maintain, and preserve the corporation's assets. As you know, the annual corporate plan is a key way to inform the government of the corporation's issues.

The corporation agreed with all of our recommendations and prepared an action plan in response to our concerns. However, because our audit work was completed in March 2017, I cannot comment on any actions that the corporation has taken since then.

Mr. Chair, this concludes my opening remarks. We would be pleased to answer any questions the committee members may have. Thank you.

● (1535)

[*English*]

The Chair: Thank you very much, Mr. Ferguson.

We'll now move to Mr. Seaman, please.

Mr. Marc Seaman (Chairperson, Board of Directors, National Capital Commission): Thank you, Mr. Ferguson.

[*Translation*]

Thank you, Mr. Chair.

I'd also like to thank the members for the opportunity to appear before the committee today.

[*English*]

Good afternoon, Mr. Chair, and members of the committee.

I'm Marc Seaman, chair of the board of directors of the National Capital Commission. As mentioned, I'm joined here today by Dr. Mark Kristmanson, the commission's chief executive officer.

[*Translation*]

I will touch on the NCC's mandate and the measures taken in 2018 to carry out that mandate. Then, Mr. Kristmanson will discuss the NCC's operations and, more specifically, the Auditor General's special examination.

[*English*]

The modern NCC is committed to building a dynamic and sustainable 21st century capital that reflects the best of Canadians and of Canada. This commitment is enshrined in the National Capital Act, which gives the NCC four main roles: planning, development, conservation, and improvement. This is so that the nature and character of the seat of the Government of Canada may be in accordance with its national significance.

In short, the NCC's job is to ensure that Canada has a capital appropriate for a G7 nation, a capital that is a source of pride and inspiration for all Canadians.

[*Translation*]

Eleven months ago, on behalf of the Government of Canada, the Honourable Mélanie Joly, Minister of Canadian Heritage, appointed me as chair of the NCC board of directors. It's a great honour to be able to contribute to the development of the national capital region for the enjoyment of future generations.

I'd like to take this opportunity to say that, since becoming board chair, I have not ceased to be surprised at the wide array of assets and property under the NCC's stewardship, not to mention the scope of the corporation's responsibilities.

[*English*]

I grew up in the national capital region. I'm blessed to have lived and worked most of my life here and, until recently, I wasn't even aware of the scope and the vast responsibilities of the NCC. That would include 535 square kilometres of terrain, or more than 10% of the entire capital region, comprising 300 kilometres of multi-use pathways and 200 kilometres of scenic parkways; 145 bridges, including two interprovincial bridges; Gatineau Park and the Greenbelt; and 1,700 properties with 1,000 buildings, including the six official residences.

I was even more surprised to learn that all of this is supported by an annual capital appropriation of $22.4 million and by a permanent staff of 400. I was not surprised when the Auditor General's office raised its concerns over the issue of deferred maintenance. Indeed, in my interviews with the auditors, I mentioned my own concerns in this regard, and I commend the Auditor General for highlighting this challenge.

The special examination report states that "The Corporation assessed the condition of 27 percent of its assets as fair, poor, or critical, and identified a shortfall in resources needed to restore those assets". The NCC's analysis shows that it might not be able to maintain and preserve all its assets at an acceptable level in the future. This echos the 2006 mandate review, which said that "Attempting to continue to do everything, even when funding has faded away, has verged on the heroic, but now borders on the irresponsible".

That was 11 years ago. Since then, the NCC has played its part in government-wide efforts to curtail expenditures. So this government's investment of $55 million over the next two years as announced in the 2018 federal budget is not only very welcome, but also necessary. It will address in a tangible way the concerns raised in the Auditor General's special examination.

Our board of directors is committed to working efficiently and effectively with the staff of the modern NCC and its many partners and stakeholders, and with Canadians from coast to coast to create the capital promised in the NCC's mandate, which I referred to a few minutes ago.

[*Translation*]

The board of directors of the modern NCC is made up of women and men from diverse walks of life and every part of the country. In recent years, the board amended its governance rules so that the mayors of the cities of Ottawa and Gatineau could participate in board meetings on an ex officio non-voting basis.

This involvement, along with ad hoc contributions from other mayors in the region, has brought a whole new dimension to our work.

● (1540)

[*English*]

Our board of directors supports the Auditor General's recommendations and has approved management's action plan, including a focus on risk management.

I've been particularly impressed by the risk management assessment framework presented by staff for every decision brought to the board for approval or for a decision.

The board also recognizes that in almost every other category, the Auditor General found a well-run organization delivering real value on behalf of all Canadians.

[*Translation*]

I would again like to thank the committee for inviting us to discuss the special examination of the NCC conducted by the Auditor General, whose report was released in 2017. The committee's work will help fulfill Parliament's wish of making Canada's capital a place worthy of its national importance.

[*English*]

Mr. Chair, with permission, I would like to turn now to our CEO, Dr. Kristmanson, to address the report in greater detail.

The Chair: Thank you very much, Mr. Seaman, and we'll welcome the comments of Mr. Kristmanson.

[*Translation*]

Dr. Mark Kristmanson (Chief Executive Officer, National Capital Commission): Thank you very much, Mr. Chair.

[*English*]

Members of the committee, *bonjour*.

Thank you, Mr. Seaman, for your opening remarks, and to the Auditor General.

I thank the committee for this opportunity to discuss the Office of the Auditor General's special examination of the National Capital Commission.

[*Translation*]

I'd like to recognize the work of the Auditor General, Mr. Ferguson, as well as of Margaret Haire, Sophie Boudreau, and Étienne Matte, with whom we worked closely for several years in the lead-up to the report.

[*English*]

To begin my presentation today, I'll set out the five core priorities that the NCC's board of directors has established for the current planning period.

The first priority speaks directly to the Auditor General's report, and this is to address the condition of the NCC's infrastructure and assets, including the official residences of Canada. I'll return to that in a minute.

Our second objective is to foster the redevelopment of the LeBreton Flats.

[*Translation*]

Our third priority is to offer better public access and new connections for Canadians to discover the shorelines and waterways in the capital region.

Our fourth priority is to modernize the NCC's planning framework.

[*English*]

Finally, our fifth priority is to be a value-added partner here in the region, creating legacies that serve as sources of pride for all Canadians.

Running through all of these priorities is a meaningful commitment to corporate excellence as a federal crown corporation.

Returning to the first priority, which is addressing the condition of the NCC's infrastructure and assets, the NCC agrees with the conclusions of the Auditor General's special examination. The commission has been strengthening its asset management regime on an ongoing basis.

About three years ago I focused our efforts on cataloguing and understanding the nature and extent of deferred maintenance across the large and diverse portfolio that Mr. Seaman described in his remarks. In 2016 and 2017, the commission undertook significant efforts to gather information related to all the different aspects of life-cycle processes, inspection activities, capital investments, building condition reports, and so forth, in order to amalgamate them into an integrated framework.

I am very pleased to report that the NCC completed this review prior to the deadline set in our action plan of March 31, 2018. We now have a 10-year recapitalization plan to restore and maintain these assets to an appropriate condition. With the additional $55 million accorded by the government in budget 2018, we can now initiate this plan and address the highest priority demands. We feel this is a judicious investment at this time. It is proportional to our internal capacity to deliver on capital projects while allowing us to address the most immediate risks associated with the assets.

Looking ahead, we're working with government to define additional tranches of funding to deal with subsequent phases of these asset repairs until we can say that the entire portfolio is restored to good condition.

The second area of concern raised in the Auditor General's report is the NCC's risk management framework. Again, the commission agrees with the Auditor General's findings and welcomes the report's recommendations.

To that end, as recommended by the Auditor General, the NCC's senior management has approved a comprehensive enterprise risk management framework that sets risk tolerances, allows for the assessment of strategic and operational risks through a consistent and integrated process, and supports the provision of comprehensive risk information as part of the decision-making process, including regular reports to the board of directors.

[*Translation*]

This framework is based on an in-depth strategic risk evaluation conducted during the 2016-17 fiscal year. Further to this risk management strategy, the NCC developed an inventory of operational and corporate risks, which is updated regularly.

Risks are now incorporated into our quarterly reporting process and, of course, the board's decision-making.

● (1545)

[*English*]

We've also provided staff training to ensure the successful implementation of the updated framework throughout the organization, and we believe that the Auditor General will find, in his reviews going forward, consistency and discipline in this area.

In closing, I'll draw your attention to other findings taken from the rest of the report that I believe the committee will find encouraging. For example, the implementation of the NCC's new business systems, replacing the systems from the 1990s, was completed on budget and on scope, and through an intensive staff training process has now been fully integrated into our operations.

I would also mention that in the NCC's leasing portfolio, particularly in the residential and agricultural properties, the NCC has lowered its vacancy rates from 13% in 2012 to 3% in 2018.

We've seen substantial increases in awareness and appreciation of our public consultation process, which has been transformed in recent years.

I could mention other positive results reflected in the report, but we welcome the two recommendations, and I'll be very pleased to address these and any questions and comments the committee may have.

Finally, I express appreciation both for the NCC's internal audit function and the oversight of the Auditor General and his staff. These quarterly, annual, and 10-year exams give the NCC a deeper perspective on how it can raise its level of excellence as a federal crown corporation.

As such, Mr. Chair, I welcome this report.

The Chair: Thank you very much, Mr. Kristmanson.

We will now move to our first round of questioning. It's a seven-minute round. We will go to Mr. Arya, please, for seven minutes.

Mr. Chandra Arya (Nepean, Lib.): Thank you, Mr. Chair.

Mr. Chair, many people would be surprised to know the large scope of operations the NCC manages. Many people in Ottawa are not aware of it, the 17,000 properties and 400 staff members. I know that the NCC has always had a challenge with respect to resources. As national capital region members of Parliament, several times we have submitted a presentation to the government about the requirements of the NCC. We are so glad that the government listened to us and has given $55 million to the NCC, which is much needed, I should say. The staff and the management of the NCC have always been good with the us, the members of Parliament from the national capital region, in our frequent interactions with them.

However, let me go into the issues that still, in my view, should be addressed.

One is that the NCC manages very prime property and excellent assets like Gatineau Park, but also the greenbelt adjoining the suburban area, where the city is growing. Sometimes the NCC's one-size-fits-all rules and guidelines, in my view, act as a problem to many of us, say, in the Nepean riding. Whenever we have to deal with the NCC, this, I think, is an ongoing problem.

Mark, if you can recall, I think we first touched on this soon after our election, and I would like to know if anything has been done with this segregation of the types of properties you deal with and the guidelines applicable to them.

Dr. Mark Kristmanson: I think the committee might be interested to know that it is unique in the world, as far as we know, to have a federally owned greenbelt circling a capital, in this case the southern arc of our capital. Most other greenbelts are privately owned and are held in place through zoning and regulation. Ours has a unique function.

One of the functions of the greenbelt is to land bank sites for federal campuses or activities for the very long term. Unlike the municipalities, who generally take a 20-year planning outlook, we take a 50-year planning outlook, and even longer in some cases. The greenbelt master plan that you're referring to has this long-term stewardship role—

Mr. Chandra Arya: Mark, I'm sorry. I apologize, because my time is limited.

My thing is that when you want to deal.... Let me take the specific example of Saint Monica Parish. I've been dealing with your office for years now with that, either in terms of having a different NCC property by giving up this or some sort of land swap. These things go on and on and on for years. Your real estate division, I think, deals with it, maybe because the top management is much more active or involved with high profile projects like LeBreton Flats or asset management and maintenance, etc. Solving the problems of the properties under lease has taken quite a long time.

● (1550)

Dr. Mark Kristmanson: I know the case. We've discussed the one that you're speaking of, and it is a priority to get it solved. We've offered some options to that particular group, and I'm not sure we've found the right option for land swaps and so forth.

Just to complete my thought, if you don't mind, we have an internal debate between the stewards and the developers and improvers on the extent to which we can be flexible with these lands for these different kinds of uses. It's a constant, ongoing internal challenge function. I just want the committee to know that this is an active debate on every file within the NCC, and in the debate between the planners versus the developers and the land managers, they usually have to come to creative solutions to allow new uses.

I'll take away your comment, and we could actually talk about that offline, and I can update you.

Mr. Chandra Arya: What about changing the guidelines, having a different set of guidelines for the properties downtown, say, than having the same guidelines applied to suburban properties?

Dr. Mark Kristmanson: Right. The plan for Canada's capital is the overarching aspirational document, and underneath that plan are the sector plans. The core area sector plan covers the ceremonial core of the capital and has a series of attributes that would reflect that, as opposed to the greenbelt master plan, which is looking at the surrounding agricultural lands. There is also an urban lands master plan, and within that there are lands that will eventually have been approved by the Treasury Board for disposal and rationalization.

There is a series of master plans, and there are differences in principle and in vision for each of those plans.

Mr. Chandra Arya: Mr. Seaman, with your private sector background and now that you're chairing the NCC, what are the changes you want to bring to this organization, if you can tell us in a very short time?

Mr. Marc Seaman: First of all, as I mentioned off the bat, and you've mentioned, it's an organization with a vast portfolio and scope. I've actually been very impressed with the organization and the transformation that's been under way.

We refer to the modern NCC because, as you mentioned, we want to make sure that, as we go through all levels of the organizational excellence mandate, we're looking at how the organization can be more collaborative and continue to be collaborative with its stakeholders and its municipalities—and it is very collaborative; we've now got the two mayors on the board—increasing its level of transparency, openness, and engagement with a lot of public consultations and engagement, creating a level of inspiration and pride, which we talked about, not just for the citizens of the national capital region on both sides of the river but also for all Canadians.

Lastly, it's really about delivering some of these results, as you refer to, so we always have an eye on what the end result is, so the deep consultative process is very important to have, but process is a means to an end, where the end is defined and we never lose sight of that. I think those are some of the practices we're bringing into play.

Mr. Chandra Arya: Mark, you mentioned that staff training is good. You have 400 staff members. How diverse are your staff in terms of women, indigenous people, visible minorities, and people with disabilities?

The Chair: Thank you, Mr. Arya.

Dr. Mark Kristmanson: To be very quick, we won an employment equity award last year for diversity in gender, and we're above the standards for indigenous people, gender, and the disabled community. We have work to do on visible minorities. We're trailing the region. We have an action plan for that, and I hope we'll see progress. In fact, we're seeing already an uplift.

Mr. Chandra Arya: Thank you.

The Chair: Thank you, Mr. Kristmanson, and also Mr. Arya.

We'll now move to M. Deltell.

[*Translation*]

Mr. Deltell, you may go ahead for seven minutes.

Mr. Gérard Deltell (Louis-Saint-Laurent, CPC): Thank you, Mr. Chair.

Mr. Ferguson, ladies and gentlemen, welcome to the committee.

Mr. Ferguson, I'd like to start with what you said about the maintenance of the NCC's assets, in other words, that the corporation's data on asset conditions indicated that more than a quarter of its assets were in fair, poor, or critical condition.

I assume that 25% includes 24 Sussex. Is that right?

Mr. Michael Ferguson: The NCC may be able to provide a more detailed explanation.

I can, however, say that 24 Sussex has a number of different problems, and each one has to be assessed. The answer is yes, the 25% does include the residence at 24 Sussex.

● (1555)

Mr. Gérard Deltell: You didn't pay closer attention to the residence at 24 Sussex than you did to the NCC's other buildings and properties, did you?

Mr. Michael Ferguson: The audit focused on all of the organization's practices. Naturally, the residence at 24 Sussex is very important, but it is just one of many assets in the NCC's portfolio.

[*English*]

Mr. Gérard Deltell: Thank you so much, Mr. Ferguson.

Mr. Seaman, and Mr. Kristmanson, first of all, thank you so much for being here.

Mr. Seaman, thank you for taking your new job in the crown corporation after a successful career in private business, and especially with the Ottawa Senators. We wish they will go further in the next years, for sure.

Mr. Seaman, and Mr. Kristmanson, what is the state of 24 Sussex Drive?

Dr. Mark Kristmanson: I'll answer that.

We have done a deep dive portfolio analysis of all the official residences of Canada, which are in a fair condition when you look at all of them. However, 24 Sussex Drive rates as being in poor condition. We are conducting the studies and working with government to address that, but looking at it from across the whole portfolio.

There is no risk to people working in 24 Sussex. It's a safe environment to work in. However, the asset is in poor condition.

Mr. Gérard Deltell: Okay, it's not working. We're talking about living conditions—this is a house—

Dr. Mark Kristmanson: That's right.

Mr. Gérard Deltell: —especially for a young family. We know that today we have a young family there, and we know that in 24 months from now, we'll have a younger family there.

[*Translation*]

Just a little hint of what's to come, friends.

[*English*]

My question is very serious.

Is this the best way to revive it, or is it better to strap down and start with a fresh, new house?

Dr. Mark Kristmanson: We're working with the government on this project, and the discussions continue.

I can tell you that the public response I'm receiving on this is a steady, positive response that supports action to work on the residence.

We're focusing on areas such as security and the livability of the house. The house does not divide private and public quarters, as the residence of a G7 leader would normally. The house is not universally accessible. It has low environmental performance, and it's a heritage property. These are all aspects that are being studied, as well as how best to have the public experience it. These are part of our discussions with government going forward.

Mr. Gérard Deltell: When will you finish all those studies?

Dr. Mark Kristmanson: A substantial amount of work has been done on this.

Mr. Gérard Deltell: That's not my question. When will you finish the studies?

Dr. Mark Kristmanson: The studies will continue in detail leading into a renewal of the residence, because there'll be more to do. This is a highly studied property.

I can't give you an exact date. We don't have an exact date.

[*Translation*]

Mr. Gérard Deltell: Very well.

There are two options: keep the residence and bring it up to par—or restore it—or build something brand new.

In your studies, do you look at both of those options?

Dr. Mark Kristmanson: I can't talk specifics in terms of the options, but I can say that there are five buildings on the grounds. It's a four-acre property located between a cliff and a parkway, so making the residence safe, usable, and accessible is a challenge. It is possible, though. The project can be approached in a number of ways, and we are continuing to work with the government to assess the options.

Mr. Gérard Deltell: As you do that, do you attach a cost to each option?

Dr. Mark Kristmanson: In some of our studies, we looked at the cost element.

As I said, though, the problem has more to do with design. It's too early to say what the exact cost will be.

● (1600)

Mr. Gérard Deltell: Mr. Kristmanson and Mr. Seaman, I must say I'm surprised. This isn't a new problem.

The current government has been in office two and a half years now. It has nothing to do with the government, but the Prime Minister has not been able to live in the residence for two and a half years. You've had two and a half years to conduct every study imaginable and unimaginable.

You have been free to do whatever you needed to for two and a half years, and yet, you still can't say when the studies will be complete. I find that shocking.

[*English*]

Dr. Mark Kristmanson: The NCC is an arm's-length federal crown corporation with responsibility for the official residences of Canada. As the stewards of the property, we continue to do our work. The long-term strategic direction for the official residence is, obviously, a matter of state. We work with the government on this, and we will take the government's advice and lead. Once we put into motion the renewal of the residence or the next phase of the project, we'll be in a position to talk in detail about it, assume the responsibility for it, and advance it.

At the moment, it's still under study.

Mr. Gérard Deltell: After two and a half years of study, you do not know exactly what to do, and you don't know when you will finish your study?

Dr. Mark Kristmanson: I really can't comment further on this except to say that the NCC team that's worked on this is extremely professional and the understanding of the residence is thorough. When we go into operation, we will create a distinguished home for our Prime Minister and his or her family.

The Chair: Thank you very much, Mr. Deltell. We'll come back to you later.

We'll now move to Mr. MacGregor, please.

Welcome to our committee.

Mr. Alistair MacGregor (Cowichan—Malahat—Langford, NDP): Thank you very much, Mr. Chair.

Mr. Kristmanson and Mr. Seaman, I'll start my questions with you.

In the Auditor General's report, there is a passage in paragraph 18 that reads:

> However, in its annual five-year corporate plans, the Board and management did not clearly describe this significant risk or the mitigation strategy and its related financial impact. The corporate plan is a key vehicle for the Corporation to inform the government every year of its activities, strategic issues, and key risks.

Why, when you are responsible for reporting to the minister, was that information not included in that corporate report?

Dr. Mark Kristmanson: Following the Auditor General's report of 2007, the commission entered into an enterprise risk-management development process that I think was very constructive and lead to improvements. What it didn't do well enough and what is noted in the current report was integrating all of the elements of risk assessment and management, and integrating them vertically from the bottom to the top of the organization. Without presuming to interpret too much from the Auditor General's report, I think it is safe to say that it found there to be strong risk management processes around the different assets, but the integration of those was needed.

We have worked on that. For the past three years, we've been taking these disparate processes over this broad asset base and bringing them into an integrated process. That has been filtering its way up and is now in our corporate plan. These things don't happen instantly.

I would just comment that we participated in government-wide measures to control expenses and so forth, and there was an attitude of looking at ways of reducing costs through most of the ten-year....

Mr. Alistair MacGregor: Going forward, you can assure this committee that the minister will now have the appropriate risk information in future reports?

Dr. Mark Kristmanson: Yes. I think it's a very fair comment from the Auditor General, and we agree with it.

Mr. Alistair MacGregor: Thank you.

I want to go on to the analysis of the state of deterioration of your assets, that just above a quarter of your assets are in fair, serious, or poor condition. Has your agency done an analysis of how much the costs increase every year we wait to fix these properties?

Dr. Mark Kristmanson: We can do that estimate through the facilities' conditions indices on an overall basis. We would like to do it on an asset-to-asset inspection basis, which will be a much more accurate one. There are now groups of assets for which we can tell you in great detail how much an investment now will save later on with that particular asset or group of assets.

Our analysis has not yet been sufficiently developed over the whole portfolio to be able to roll that up into one number. Normally, 2% of the assets should be reserved for recapitalization, and 2% for life-cycle management. We know that in our asset base, we're not even close to that, so one-time funding will help.

We will also have to be talking with the government about a longer-term strategy so that the reinvestments occur and we don't have to deal with excessive expenses later from deferred maintenance again. Generally, investing in life-cycle management saves you in the long term.

● (1605)

Mr. Alistair MacGregor: Were you asked to reduce your costs and budget by the government during the 10-year period from 2007?

Dr. Mark Kristmanson: We participated in the deficit reduction action plan, for example. I'd have to go back. I don't know exactly how to answer that question to be technically correct, but there were successive initiatives to reduce expenditures.

Mr. Alistair MacGregor: I want to continue along the line of Mr. Deltell,s questioning regarding the official residence of the Prime Minister. It was reported in the media that meals are being prepared there and transported to Rideau Cottage. It seems like a weird practice to engage in. Are there any plans afoot to try to upgrade the kitchens at Rideau Hall or Rideau Cottage, or is this practice going to continue?

Dr. Mark Kristmanson: I should really let the Prime Minister's Office comment on the house operations, because we are not involved in them. We're involved, obviously, in the maintenance and upkeep of the facilities.

I think the point is that the house has been decommissioned as a residence, but is still being used by staff. My understanding is that the approach that's being taken right now is the most cost-effective one.

Mr. Alistair MacGregor: Okay, thank you.

Mr. Ferguson, I want to paint a bit of a chronological picture here. I think the Auditor General's Office did a report in 2007 on the National Capital Commission. Which of the recommendations from that 2007 audit were not implemented? Are you aware of any matters that have improved or deteriorated? I just want to paint a timeline of how well, from the Auditor General's viewpoint, the NCC has acted in the last 10 years.

Mr. Michael Ferguson: As we say in paragraph 18, which you referred to earlier, we identified at that time that there was a lack of funding to maintain the assets at the level they needed to be maintained. Again, we found that being able to balance the inventory of assets with the money available for the long-term maintenance was still an issue in 2018.

I think we also identified at that point that there were issues with risk management, and this time we identified that the corporation had made improvements in its risk management practices but that there was still some work to do.

In general, those two things were still issues that were around. There had been some progress on the risk management one, but in general the issue of balancing inventory of assets with the money available to maintain the assets probably did not improve, or in fact maybe even got worse over that timeframe.

The Chair: Thank you, Mr. MacGregor.

We will now go back to Monsieur Massé.

[*Translation*]

Mr. Massé, you have seven minutes. Go ahead.

Mr. Rémi Massé (Avignon—La Mitis—Matane—Matapédia, Lib.): Thank you, Mr. Chair.

Mr. Ferguson, thank you for appearing before the committee yet again.

Thank you, as well, gentlemen. As witnesses, your contribution is important. It will help us better understand the issues raised in the Auditor General's report.

Mr. Ferguson, in paragraph 35 of your report—and this came up briefly earlier—you refer to a significant deficiency in the NCC's maintenance of its assets. In its response, the NCC said it lacked funding, having not received a funding increase since 2009-10. I'd like to hear your perspective on that.

Is it strictly a matter of money, as the NCC claims?

Does it have to do with planning, or does it come down to priority-setting around asset maintenance?

I'd like to know your take on that before we hear from the NCC officials.

● (1610)

Mr. Michael Ferguson: Thank you.

I think it has to do with a variety of things. You have the asset inventory, on one hand, and the budget for fixing or addressing problems, on the other. Both elements come into play, giving rise to certain questions. Are there too many assets in the inventory? If it is necessary to maintain all of the assets, is there enough money to do the work?

There may be other ways to address the problem, like reducing asset operating costs. As I mentioned, we observed the same problem back in 2007. You brought up planning, and it's important that the government give the NCC the support it needs to plan for the long term, given the life cycle of the assets in its inventory. Planning needs to address every stage of an asset's life cycle, for the entire inventory.

Mr. Rémi Massé: Thank you, Mr. Ferguson.

Mr. Seaman and Mr. Kristmanson, you haven't had a funding increase since 2009-10. As you mentioned, in its most recent budget, the government set out $55 million in additional funding over the next two years.

Why has the NCC not been able to obtain the funding it needs to manage and maintain its assets?

Over the past eight years, I would think you had spoken with both the previous government and ours, of course. I'm curious as to why you weren't able to get the previous government to pay attention to your needs and give you the necessary funding. As a result, an important building—the prime minister's residence—is in such poor condition that it is unfit for occupants.

Dr. Mark Kristmanson: I can comment on the previous government's approach.

During the first two years of my mandate, that is, prior to the 2015 election—and prior to our funding needs being taken more seriously—I was told by both ministers that we had to use our reserve fund to pay for projects.

In 2017, the board of directors decided to allocate available funding to legacy projects in connection with Canada's 150th anniversary. We did not receive any grants or funding specifically for the 150th anniversary. Everything we did in 2017—and we did quite a bit—we paid for out of our reserve fund.

Our goal is to use the reserve fund at a slower pace. We have a strong case for reinvestment, which the current government took seriously and accepted. Prior to that, we were using our reserve fund to improve the condition of assets and carry out legacy projects for Canada's 150th anniversary.

Mr. Rémi Massé: Mr. Ferguson raised the possibility that you might have too many assets in your inventory.

Is that something you've considered?

The real question is this. Given all the challenges associated with managing and maintaining the inventory, does the additional funding give you enough latitude to undertake renovations and maintenance—in other words, all of the work you have to do to make sure all of the buildings are in an acceptable condition?

Do you now have more latitude to undertake the necessary work?

● (1615)

Dr. Mark Kristmanson: The full $55 million is being used to address the most immediate risks. We developed a plan in consultation with Treasury Board. At the NCC, our management of assets and property is guided by a tenet. Is it possible to dispose of the assets to free up money for something else?

After the 2006 mandate review Mr. Seaman referred to, Treasury Board recommended that the corporation use revenues from the sale of land only for the purpose of acquiring land that is in the national interest. That was the restriction placed on us.

We used that revenue to purchase a third of the privately held land in Gatineau Park, for instance. We have purchased nearly 200 hectares of land since 2008, so that's how we've been using the revenues from the sale of NCC land. We have to abide by that restriction. We can't use that revenue for improvement or deferred maintenance projects.

Mr. Rémi Massé: Do you think purchasing that land will give you more money to carry out your mandate?

Dr. Mark Kristmanson: One of the board committees deals with value for money, looking for ways to use NCC land to bring in more revenue. This fiscal year, we've generated more than a million dollars in additional revenue, out of a total of $30 million. We expect to have an extra $5 million for the next five years. With a little creativity, we can leverage our assets to bring in more revenue.

Mr. Rémi Massé: Very good.

[*English*]

The Chair: Thank you, Mr. Massé. I gave you extra time. I'll take it away from you next time, though.

Voices: Oh, oh!

The Chair: We'll move to Mr. Trost, please.

Mr. Brad Trost (Saskatoon—University, CPC): Thank you, Mr. Chair.

In my 14 years in the House of Commons, this is the first time I've ever been on this committee, so you'll have to forgive a few of my questions. This is totally new to me.

First, on the whole concept of risk management, can you explain to a layman here some of the very concrete things that can go wrong if you don't do your risk management right?

I'll start with the National Capital Commission, because apparently you didn't do your risk management right, according to the Auditor General, once upon a time. What could have gone wrong, and maybe what did go wrong, because you didn't have your risk management done right once upon a time?

Dr. Mark Kristmanson: I think I'll answer that in two parts.

The first thing that could go wrong—and did, in a sense—is not alerting the senior levels of the organization and the government to a growing risk around, say, deferred maintenance.

We accept the premise of the Auditor General's report that this vertical alignment of risk management has to work so that it goes all the way through to the minister.

Mr. Brad Trost: So you set up future governments for surprises; that's one problem.

Dr. Mark Kristmanson: In a way, yes, because in trying to adhere to one government's legitimate attempts at austerity measures and so forth, perhaps the commission—I'm speaking not for myself but for my predecessors—was in a position in which it was difficult to raise some of these issues.

I think the other answer to your question is that without good risk management, you become too risk-averse. I'd say this is the case of the NCC. It has a very low risk tolerance. I think that to manage a federal crown corporation really well, you have to be able to take the right amount of risk. You have to know how to manage it, mitigate it, and inform decision-makers, and to take good decisions.

While the overall effect has been to be very risk averse, I think that with this improvement we're bringing along we'll be able to manage risk in a way that gives the organization confidence in having—

Mr. Brad Trost: Give me an example of something you would do now that would be more "out there", as opposed to being afraid to do it before. I really know almost nothing about how you do your operations—I read a little bit about 24 Sussex Drive or Rideau Hall. I'm very much like an ordinary citizen coming here. Two hours before this meeting, I didn't even know I was going to be here. So very much in a practical sense, what do you mean? Give me some practical illustration that I can deal with.

Dr. Mark Kristmanson: I'll give you one that's top of mind, because we discussed it at our executive meeting yesterday. It is, to what extent should we recapitalize some of our residential properties to be high-yield residential properties that will bring back revenues to the government, but at the cost of maybe turning those properties into something different from what the residents around them would like? It might change the fabric of a neighbourhood.

In our risk structure we would have eliminated any idea of this, based on our risk framework in previous times, whereas now we're looking at it and saying it is a risk in terms of public perception, but how can we manage it? Which groups do we need to meet? Which municipally elected officials should we meet to transform a certain area into a different kind of leasing operation? I think that's a good example of areas in which, if you're too risk-averse, you just will never change and you might not seek a better outcome.

● (1620)

Mr. Marc Seaman: Let me add to this. I can't comment on previous risk; I was appointed as the chair in June, 11 months ago.

As I mentioned in my opening remarks, one aspect that we're certainly impressed with at the board level is the risk assessment framework that Mark just referred to. Every decision will look at pros and cons and have risks. What are the impacts of those risks? What are the mitigations of the risks? That way, at least at the board level, we are able to make an informed decision based on the various risks associated with each of the decisions.

Mr. Brad Trost: Is there anything from the Auditor General's Office, before I go to my next question?

Mr. Michael Ferguson: I think they've given you a specific example. Getting back to your original question, in the case of many of these assets, of course you're dealing with assets that people interact with. It's therefore important to understand the risks and what could go wrong, because when something goes wrong, there could be people and health and safety issues involved. Being proactive on potential risks and what could go wrong is something that every organization needs to do. It's very important to have that integrated approach. The other thing we identified is the need to make sure that decision-makers along the way are alerted, because at some of these stages there are critical decisions that need to be made about either to repair an asset, or to keep an asset, or to ask whether it is an asset that we can no longer afford to maintain. Understanding the risks, I think, is a very important aspect for this organization.

The Chair: Thank you, Mr. Trost.

We will now move to Mr. Chen.

Mr. Shaun Chen (Scarborough North, Lib.): Thank you, Mr. Chair.

I just want to start by acknowledging what Mr. Kristmanson said earlier, which is that these properties, whether they are Rideau Hall or 7 Rideau Gate, are a great source of pride for Canadians. Therefore, it's so important that we see them well-maintained, and for those that are public buildings, parks, and other assets that can be enjoyed and used by the general public, we see them as being accessible.

I want to continue some of the questioning by my colleagues today. We know that when it comes to assets, the longer you wait to repair them, the more expensive it can get. There's a snowball effect, just like with your own house. If you have a roof that is 15 or 20 years old, you want to replace it before there's a leak and it causes further damage.

The Auditor General's report noted that some of those properties among the 27% of assets that are in poor, fair, or critical condition do generate revenue. In effect, then, when we are not proactive in maintaining these properties, not only are we losing revenue, but we are inevitably spending more money to do the repairs that are ultimately required.

I have a couple of questions related to this. Are any properties in such a bad state of disrepair that they are now prohibitively costly to repair?

Dr. Mark Kristmanson: I will quickly answer your question by just saying that in our capital budget process, we spend the $22.7 million that we get with an eyedropper. The heaviest weighting is for safety and security. As the Auditor General said, the safety of the public is the primary thing, so the money goes first to those areas, and then it trickles down to the other areas.

Mr. Shaun Chen: How much of that money is being spent proactively to avoid assets getting into the category where they are no longer safe or pose a health hazard?

● (1625)

Dr. Mark Kristmanson: There are a certain number of assets that are foreseen to be demolished and the land naturalized—not many, but there are some. Some are in that category.

Of the assets that are not heritage treasures but are revenue-producing and are part of the fabric of a community, and therefore should keep going, that's part of our leasing portfolio. They have to make a business case for recapitalization. Part of that is what the revenue is versus the...and the business case will usually justify a certain amount of recapitalization.

It's also a client relations issue, and Chandra, I think, would back me up here. We spend a lot of time on client relations, working with our farmers in the greenbelt, and so forth. Almost every case is different, but in each case we try to seek excellence and even to leverage partners, municipalities, and other funding to invest in the assets. I think it would be wrong to think there's a host of decaying, awful assets about to be—

Mr. Shaun Chen: I don't have much time left. What you have described makes perfect sense. I know that the Auditor General has described in his report a significant deficiency in asset management.

To the Auditor General, would you attribute that, essentially, to a need for further funding, or are there other aspects we need to consider?

Mr. Michael Ferguson: Again, I think you can start by coming at the problem from the two extremes. Are there too many assets? If there can't be any more funding, then does that mean there are too many assets?

If there are not too many assets, and that's the stock of assets you want to have in the National Capital Commission, and they need to be properly maintained, then you have to make sure there's a proper funding. There can be anything in the middle, trying to balance those two things off.

Certainly, just going to what the assets are and what it's going to cost to maintain them, and saying, "Here's the amount of money that's needed" is the very simple calculation in the first instance.

I think, though, there also needs to be that very deep consideration of what it is we want the commission to do and what assets we want them to maintain. Once that is done, then really, the maintenance number needs to be a long-term plan of what's needed to manage the life cycle of all of those assets.

Once the assets that need to be maintained are decided upon and there's a plan for life-cycle management, it's becomes a fairly simple exercise, and the cost number really just falls out of that.

The Chair: Thank you very much.

To our committee, please make sure that we ask our questions through the chair. It prevents problems that can arise down the road.

Mr. Deltell, please.

[*Translation*]

Mr. Gérard Deltell: Thank you, Mr. Chair. I have questions for the witnesses, which I will ask through you, of course.

Earlier, we talked about 24 Sussex, the prime minister's residence. As we know, the Leader of the Opposition, the Governor General, and the Speaker of the House are all living in their official residences.

Are the other official residences as problematic as 24 Sussex, or do they receive regular upkeep?

Dr. Mark Kristmanson: In order to properly manage official residences, we need adequate funding, on one hand, and access to the residence to do the work, on the other. Stornoway, the official residence of the leader of the opposition; the Farm, the official residence of the speaker of the House of Commons; 7 Rideau Gate, the official home away from home for visiting dignitaries; and Rideau Hall, the official residence of the governor general, are all in good condition. Harrington Lake and 24 Sussex are in the worst condition. The condition of some subordinate buildings may also be poor, thus affecting the overall quality of the portfolio. Nevertheless, except for Harrington Lake and 24 Sussex, all the official residences are in good condition.

Mr. Gérard Deltell: As far as the other official residences are concerned, you do not foresee, in the short or medium term, having to deal with issues as serious as those plaguing 24 Sussex. Everything is under control. Is that correct?

Dr. Mark Kristmanson: Well, we do have to manage their life cycle.

[*English*]

Mr. Gérard Deltell: There are no big challenges for the other official residences compared to 24 Sussex. There is no short-term or medium-term problem, no big issue with that?

● (1630)

Dr. Mark Kristmanson: They all have life-cycle plans, and they all will have works to do. Eventually we would like to have an open book plan for the life-cycle management of all the residences so people could see that. We have to have swing spaces at times to move residents out to do major repairs, but these are all foreseen.

I think the committee can take comfort, though, that the residents of all of these official residences are quite comfortable. Some of the basic fundamentals of 24 Sussex and Harrington Lake need to be addressed. We are moving on some of those things even as we speak.

Mr. Gérard Deltell: As soon as possible.

Let's talk about the other issue. The Auditor General recognized that a quarter of your assets, or our assets, are in jeopardy. There's a big challenge with that.

What is your top priority after 24 Sussex?

Dr. Mark Kristmanson: We are working with the funding received in the federal budget 2018 based on the security and safety risk associated with assets. Some of the top priorities that we're dealing with are the Hog's Back bridge, which has had to close a number of times. It's an ancient bridge, and we will be doing important remediation work to it.

We're also working on the shoreline pathways that were damaged heavily in last year's flooding. That's another top priority for us.

The urban forest is taking an enormous hit from the emerald ash borer, an invasive species. We have now removed 20,000 ash trees. There are 20,000 more trees to go. It represents a risk to the public. Then there is all the replanting of that urban forest. That's a high priority within our program as well.

There are assets too many to mention, but many of them are infrastructure kinds of assets: overpasses, small footbridges, pathways, embankments, retaining walls. It's a broad portfolio.

As I say, it's assessed by the safety and security first, and then we move up the chain.

Mr. Gérard Deltell: Do you have a plan for that infrastructure?

Dr. Mark Kristmanson: Yes.

Mr. Gérard Deltell: In the same priority that you gave us?

Dr. Mark Kristmanson: Yes.

Everything is in a prioritization. As I say, we spend money very carefully, and reshuffle this constantly with our experts.

Mr. Gérard Deltell: Do you plan some acquisitions in the next years?

[*Translation*]

Do you plan to acquire property or other assets that could become part of the NCC's inventory?

Dr. Mark Kristmanson: We don't foresee any acquisitions, except for Gatineau Park land. We may also purchase some Greenbelt land. In the 1980s, Treasury Board defined what constitutes the National Interest Land Mass, so we try to add corresponding land to the federal real property portfolio, not necessarily the NCC's. That may include a departmental portfolio. Most of the land we plan to acquire, however, is in the Gatineau Park.

Mr. Gérard Deltell: Is that land privately held right now?

Dr. Mark Kristmanson: Yes. We prioritize environmental and ecological factors.

[*English*]

The Chair: Thank you, Mr. Deltell.

Now we'll move to Ms. Yip, please. You have five minutes.

Ms. Jean Yip (Scarborough—Agincourt, Lib.): Thank you for coming here, first of all.

Following Mr. Deltell's question regarding the priorities and the fixing up of assets, so to speak, do you have definite timelines so that this doesn't become like the 24 Sussex project, where it just keeps going?

Dr. Mark Kristmanson: The 24 Sussex project is somewhat unique, to be honest. The 10-year plan that we've set out is pretty clear. There can be adjustments.

Many of the projects involve partners, either municipalities or other land holders, namely, other federal land holders. There are many steps to take in many of these projects. We have to have some flexibility to advance some over others depending on where they're at. In general, yes, there is a very clear plan that we can effect over the next 10 years to bring the whole portfolio up to a good level.

The Chair: Carry on, Ms. Yip.

Ms. Jean Yip: On page 7, it mentions that "The Board and management did not clearly describe one of the Corporation's strategic risks in its annual corporate plan". What was that strategic risk? It says, "As a result, the steps to mitigate that risk were also not described in this document."

● (1635)

Dr. Mark Kristmanson: Mr. Chair, would you like me to answer that?

The Chair: Certainly. Go ahead, Mr. Kristmanson.

Dr. Mark Kristmanson: The risk that I believe the Auditor General is raising is the fact that the commission did not proactively raise with the government the growing deferred maintenance problem that it faces today. We accept that finding.

Of course, we have moved to bring it to the government's attention, and the government has reacted.

Ms. Jean Yip: Okay. Thanks.

The Chair: Thank you, Ms. Yip. Those were good questions.

Ms. Mendès.

Mrs. Alexandra Mendès (Brossard—Saint-Lambert, Lib.): Thank you, Mr. Chair.

Good afternoon, everyone.

I'm actually more curious about who does the evaluation of the risk factors. I imagine you have inspectors at the National Capital Commission. Do you also get outside experts to corroborate your findings? How does this work?

Dr. Mark Kristmanson: Yes, that's a very good question.

The commission has an engineering department. It has a design and construction department. It also has environmental specialists.

We're a bit of an unusual organization in the sense that we are not only a doer but also a regulator. There are quite severe internal test functions for all of these matters. That does not preclude our bringing in third-party consultants for special engineering or environmental studies. It would be quite normal to have a series of such studies on any given project.

Mrs. Alexandra Mendès: I'm glad to hear you have that. I think it's also part of risk management.

I'm directing this question through you, Mr. Chair, to Mr. Ferguson. Would it be part of the normal risk assessment to have third-party experts also measure the risk and consult on the risk management strategies?

Mr. Michael Ferguson: I think it's important for the organization to have people internally who can do inspections and make assessments, and then use third parties when they need them. From the board's perspective, it needs to have some comfort that what it is hearing from management about risk assessment is an appropriate approach or review.

In terms of what you're talking about, from time to time it would be important for the board to make sure they have advice from some of those third parties directly, and are not just getting advice from management about the state of the risk management practices. That would help them have confidence that management is providing them with the right information and the information they need.

Mrs. Alexandra Mendès: Thank you very much.

That's all for me.

The Chair: Thank you, Ms. Mendès.

We'll go back to Mr. Deltell, please, if you want back in.

Mr. Gérard Deltell: Thank you, Mr. Chair.

I would like to address another issue with you, friends. It's about who is calling the shots, because as a crown corporation you have some responsibility, but also a responsibility to a city, a province, the federal level, and to the NCC. Who is calling the shots?

Dr. Mark Kristmanson: We are a servant of many masters and mistresses, and of course we report to Parliament through Minister Joly. We have a very good relationship with our minister's office and with the portfolio affairs in our department.

They are all sympathetic to the fact that we operate differently from most crown corporations. All of our board meetings are held in public. I don't think there is another federal crown corporation or provincial crown corporation that I am aware of that has pretty much totally open public meetings. We only hold back commercially confidential information and cabinet confidences.

We also have the mayors of Ottawa and Gatineau sitting on our board now as ex-officio members, which has been a great advantage, in my opinion, to the governance of the commission. The chair should probably really respond to this, but we've been able to resolve many issues and get greater alignment for a region that hasn't always had as much alignment as it should.

The only thing I would say is that we're a very small commission compared now to these amalgamated cities that dwarf us in size, budget, and scope of responsibility. But aside from that I think our governance model has been working quite well.

Mr. Marc Seaman: Mr. Chair, I would concur with Mr. Kristmanson that the governance model is a unique one, but it's one that's been working. I think the addition of the two mayors has been an opportunity for the members and residents of Gatineau and Ottawa to have their voices heard and have a perspective.

The board is very diverse. There are five members from the national capital region and other members from across the country to bring that national perspective, and it's been a very functional one. I am very impressed with the questions that the board asks.

The board's role is to provide the right level of governance, and I think through this risk assessment and some of the modifications that have been made, they have been making informed decisions and been a sounding board. Having the input of all the different stakeholders is important because, as I mentioned earlier, we are a very collaborative organization that works with the federal government, the provincial governments, municipalities, and private stakeholders to come up with the best decisions that are in the best interests of not only the citizens of the national capital region, but also all Canadians.

● (1640)

[*Translation*]

Mr. Gérard Deltell: At the end of the day, do you need all three levels of government—municipal, provincial, and federal—to sign off on any decision you make?

Mr. Marc Seaman: No.

Mr. Gérard Deltell: You have total independence in that regard. Is that correct?

Mr. Marc Seaman: As Mr. Kristmanson said, the mayors of the two cities sit on the board as non-voting observers. They nevertheless play a big role in decision-making.

Mr. Gérard Deltell: The board has no provincial representation?

Mr. Marc Seaman: No.

Mr. Gérard Deltell: It's only the cities of Gatineau and Ottawa, then.

Do they have a veto?

Mr. Marc Seaman: No.

Mr. Gérard Deltell: Do the majority of members have to support the decision?

Mr. Marc Seaman: Yes. It must have majority support.

Mr. Gérard Deltell: Have you ever had a situation where the vote was close? Was there a time recently when the decision did not turn out as you had hoped?

Mr. Marc Seaman: I haven't been on the board very long, only 11 months.

For decisions that require some thought, the question is clearly formulated so that it results in the best possible decision.

Mr. Gérard Deltell: Very good.

Thank you very much, gentlemen.

[*English*]

The Chair: Thank you, Mr. Deltell.

We'll move to Mr. MacGregor, and then Mr. Massé.

Mr. Alistair MacGregor: Thank you, Mr. Chair.

Mr. Kristmanson, I still want to cover the issue that to mitigate the risk of insufficient financial resources, there was a delay in maintaining some assets. You knew you had a constrained budget, you knew this was going to affect how you could maintain these assets, and I think you also knew the risks associated with that, namely, that the longer you left them the more they would cost you in the long run.

We have a responsibility in this committee to make sure that the nation's finances are being spent well, and also that we have an adequate number to do the job we're doing. I'm concerned that with the knowledge the NCC had, it still did not make it into the minister's hands.

What were the discussions around that? Given all of that knowledge, why did you feel that the information still didn't warrant making it into that report? Were the risks ever clearly explained, going up the chain?

Dr. Mark Kristmanson: I can't speak for my predecessors because I don't know what they may have said or not said in ministerial briefings, but I can say that I raised it as an issue in 2014. As I say, the comment that came back was that "you have substantial reserves and why are you not using them?"

In fact, many of the reserves were attributed. They were restricted funds, but that was the observation that was made, so the board—I think wisely—agreed to have a target to use these reserves for legacy projects for the 150th anniversary of Canada that also dealt with asset deficiencies. I think we did very well with that. I won't take the committee's time, Mr. Chair, with the details on what we achieved.

Those funds have now run through the system. At the same time, over the past three years, we've been developing our case, really, for the long-term recapitalization of the commission, and I think the government has listened to us.

Mr. Alistair MacGregor: I want to get in one last quick question. It's mentioned in the Auditor General's report that there are "revenue-generating and cost-reduction initiatives". It said, "However, these activities have not yet had a significant financial impact." Do you project this will change in the coming years? Can you provide some explanation on that?

Dr. Mark Kristmanson: Yes. We made this a real focus. Bringing down our vacancy rates in all of our leasing portfolio has also increased our revenues.

We have a series of projects unfolding over the next few years where we hope we can increase our revenue base by $5 million in our current five-year plan. This will help take some of the financial pressure away.

● (1645)

Mr. Alistair MacGregor: Thank you.

Thank you, Chair.

[*Translation*]

The Chair: It is now over to Mr. Massé.

Mr. Rémi Massé: Thank you, Mr. Chair.

My questions will be along the same lines as those I asked earlier.

I'd like to know whether you reviewed all of your assets to determine whether some could be sold. You said you had acquired some land, but I didn't hear you talk about the flip side to that, in other words, selling land to give you more latitude budget-wise.

Do you do reviews like that?

Dr. Mark Kristmanson: In the early 2010s, a board committee examined the issue of selling assets in order to generate revenue and contain costs, as the Auditor General pointed out. The committee, together with NCC management, identified some 90 properties that could in theory be sold.

When I took over as CEO in 2014, I conducted a review, together with the executive. I determined that nine properties could easily be sold. A score of considerations come into play for each property. After visiting the nine properties, we decided to ask Treasury Board to initiate the sale of those assets. We were given approval to sell four of them, I believe. My team can check the exact number.

To date, we have initiated the sale of two of the properties. It's a lengthy process because we have to advise all federal partners of our intention to sell, including Indigenous and Northern Affairs Canada. Then, we can initiate the process. We have sold two assets, but we want to keep up those efforts. The revenues from the sale go into the acquisitions fund, and that money can be used only to purchase national interest land mass.

Mr. Rémi Massé: I gather that the money from the sale of those assets cannot be used for anything other than buying specific land. Therefore, it cannot be put towards the maintenance or renewal of various buildings, for instance. Is that correct?

Dr. Mark Kristmanson: That is correct.

That was what Treasury Board decided in 2006 or 2007.

Mr. Rémi Massé: I see.

If you wanted to use that money for a different purpose, would the act have to be amended to change your mandate?

Could you kindly explain what exactly ties revenues from sales to a particular use?

Dr. Mark Kristmanson: It is not set out in the National Capital Act. It actually comes from a Treasury Board directive.

Mr. Rémi Massé: Just out of curiosity, I'd like to know how much the 90 properties you reviewed are worth.

If you aren't able to give us their value, could you tell us how much the nine properties you identified are worth?

I just want to get an idea.

Dr. Mark Kristmanson: I don't remember exactly how much. Some of the properties are quite small, so we are only talking about hundreds of thousands of dollars or less. Others are worth millions. I can get back to the committee with those numbers, but I can't give you an estimate now, unfortunately.

Mr. Rémi Massé: That's fine.

Mr. Chair, might I ask that, through you, the witness provide the committee with the value of those properties, so that we know what's what.

Do I have another minute?

[*English*]

The Chair: One minute.

[*Translation*]

Mr. Rémi Massé: Something Mr. Deltell asked you earlier caught my attention. He asked you about your top priorities, taking into account the resources you have available and the work you have to do.

Priority-wise, I'd like to know how you will be spending the additional funding our government gave you—in other words, the $55 million over two years.

What exactly will that money be used for?

Will it go towards any projects you haven't mentioned?

● (1650)

Dr. Mark Kristmanson: No. All the projects currently under consideration are those that present the most immediate risk. That's what we are going to start with, no exceptions. It is further to a directive from Treasury Board.

Mr. Rémi Massé: With respect to 24 Sussex, I know you're conducting all kinds of analyses and studies.

Will any of the additional funding go towards the improvement of the residence at 24 Sussex?

Dr. Mark Kristmanson: None of the money will go towards official residences. The cost of all official residence projects will come out of our capital budget of $22.7 million. We normally spend $6 million to $7 million a year on official residences.

Mr. Rémi Massé: I see.

[*English*]

The Chair: Thank you, Mr. Massé.

That's the last question. I have a couple of little questions based on the news today.

In one of the papers—I think it's the *Citizen*—Kelly Egan wrote in regard to Rideau Hall that our Governor General Payette has been unable to move into it since she was sworn in as the Governor General.

They've cited security concerns. My question would be in regard to that. Egan says, "Citing security concerns, they've declined to say where she has been 'accommodated'". Are there security concerns with these residences? I understand why they don't want to say where she's being accommodated, for security reasons. Is it simply an update that's going on at Rideau Hall?

Are there ever security concerns with our official residences that would ever shut down...where you guys would be called in to respond?

Dr. Mark Kristmanson: As I said earlier, we need two things to keep these residences up to date. We need funding, and we need access. At the time of her appointment, the Governor General was gracious enough to give us some time to have access to Rideau Hall to do some major work, mainly relating to putting air conditioning in. When she stays at Rideau Hall, the Queen has had an air conditioner in her window for all these years.

The project that Her Excellency allowed us to undertake actually puts in air conditioning, and you can see out the window again. Those necessary works went ahead, as well as some renewal of the corridors. Those works have been effected, and we're in discussions with the OSGG about the transition.

The Chair: Right. I guess I'll reword my question. Anyone who was at 24 Sussex recognized that that residence needed a massive upgrade. There's no question about that.

If there were security concerns.... I've often thought that we had an attack in 2001, so do you have anything to...? Is that just straight for the RCMP? Do you ever cite security issues with our Governor General's residence? Is it only the RCMP that worries about that, or does that form part of your considerations as well?

Dr. Mark Kristmanson: I understand your question. We work very closely with the RCMP. Our staff have worked closely with the RCMP for decades. Of course, they are the lead on security, and they would comment on any matters related to security. Most matters related to the security of the official residences are confidential, obviously. I can say that we are part of the threat and risk assessment process that goes on for these residences, and our capital program is sometimes adjusted to reflect the needs of the RCMP.

The Chair: When can we expect our Governor General to be back in Rideau Hall?

Dr. Mark Kristmanson: I really think it's a question for the Office of the Secretary to the Governor General. I think these are private matters, and I won't—

● (1655)

The Chair: I mean, we know that it's been mentioned that 24 Sussex may be a 10-year renovation?

Dr. Mark Kristmanson: Yes. There's nothing comparable to 24 Sussex. We effected some improvements at Rideau Hall. They're not transformational improvements; they're good life-cycle improvements to prepare for her move-in. It's up to the Office of the Secretary to the Governor General to work with her on a timetable.

The Chair: Did I understand correctly that you did acquire land in 2008? Is that when you purchased the 100 hectares, or not? Maybe I misunderstood.

Dr. Mark Kristmanson: Since 2008, we have acquired one-third, or actually quite a bit more now than one-third, of the private property held inside Gatineau Park. That has been done with the revenues from sales of other lands.

The Chair: All right, so in spite of the largest global recession ever, you were able to acquire land that you felt you needed in the NCC?

Dr. Mark Kristmanson: Correct. Again, it's on a risk-management basis, such that if the land is ecologically at risk, we try to get it. If it's at risk of being developed, we purchase it. In some cases, we do acquire private residences where there are waterfronts and elements that need to be brought back into the park fabric.

The Chair: During the recession, did I understand that you participated in the DRAP, the deficit reduction action plan?

Dr. Mark Kristmanson: Yes.

The Chair: Were you able to meet your goals in that?

Dr. Mark Kristmanson: Yes, I believe we largely met all of the goals. There may have been one or two positions where intended retirements did not occurr, but essentially, yes, all of the conditions were met.

The Chair: I want to thank you for doing that, and all crown corporations. When policy is given, it's more difficult. It's always easy when there's money and we need things done, like the infrastructure changes that are going. That's one thing, but it's always difficult to manage through difficult times, and I want to thank you for meeting that deficit reduction action plan. Sometimes that's important as well.

I also want to thank you for coming today and sharing with us both the audit and additional information to help us understand this crown corporation. When you leave here, perhaps you would want to give us more information. I know that Mr. Massé has asked a question in regard to the values of some of these properties that may be sold. I'm not sure about Mr. MacGregor, Mr. Deltell, or others. Please do get that information to our clerk, so that if we need it for part of our report, we'll have it.

Thank you very much for being here.

Dr. Mark Kristmanson: Thank you.

[*Translation*]

Mr. Marc Seaman: Thank you.

[*English*]

The Chair: We are adjourned.

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